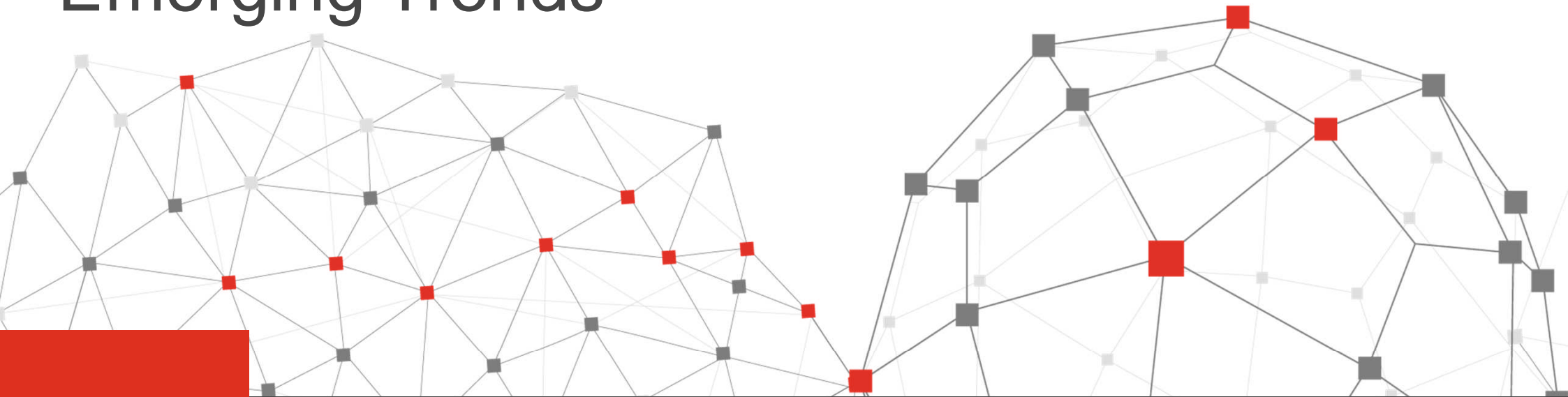


Global Reporting Initiatives – Emerging Trends



November 2020



Global Reporting Initiatives – Emerging Trends

01 Global Financial Reporting updates

02 Global Audit Reporting updates

03 Review and Comments from Global Regulators

04 ESG Reporting

05 Opportunities For Our CAs



1

Global Financial Reporting Updates

Recently issued Key IFRS standards and reporting updates

IFRS 16 Leases

IFRIC 23 Uncertainty over
Income Tax Treatments

Definition of a Business

Definition of Material

Interest Rate Benchmark
Reform

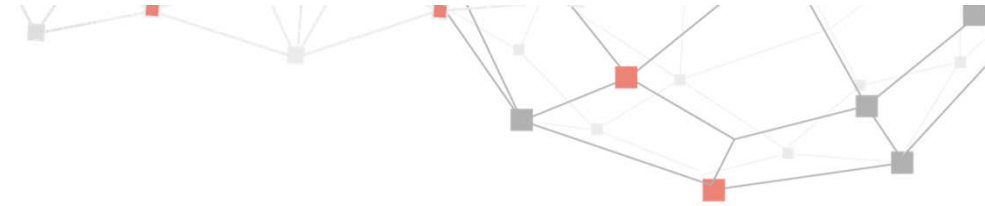
Applying IFRS Standards in
2020 — impact of covid-19

Key IASB Projects and Consultations



Standard setting and research projects

- Business Combinations – Disclosures, Goodwill and Impairment (DP)
- General Presentation and Disclosures (ED)
- Business Combinations under Common Control (RP)
- Financial Instruments with Characteristics of Equity (DP)
- Sustainability Reporting (CP)
- Management Commentary (PS)
- Post-implementation Review
 - ✓ FRS 9—Classification and Measurement
 - ✓ IFRS 10, IFRS 11 and IFRS 12



Interpretations Committee Agenda Decisions

- Supply Chain Financing Arrangements—Reverse Factoring
- Leases
 - ✓ Sale and Leaseback with Variable Payments
 - ✓ Lease Term and Useful Life of Leasehold Improvements
 - ✓ Sale and Leaseback of an Asset in a Single-Asset Entity (IFRS 10 and IFRS 16)

FASB and IASB joint meeting discussions

The IASB held a remote joint meeting with the Financial Accounting Standards Board (FASB) on 19 November 2020. The topics of discussion, were:



01

Goodwill and Impairment

02

Leases

03

Covid-19

04

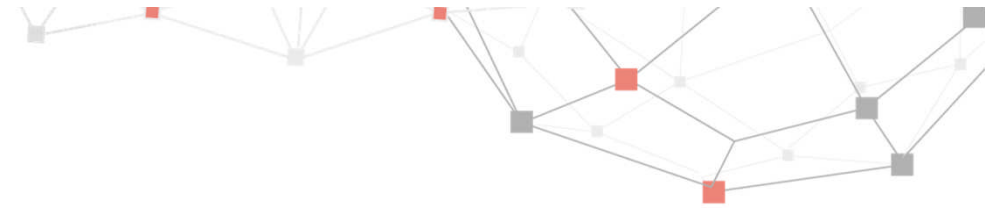
Supply chain financing



2

Global Audit Reporting
Updates

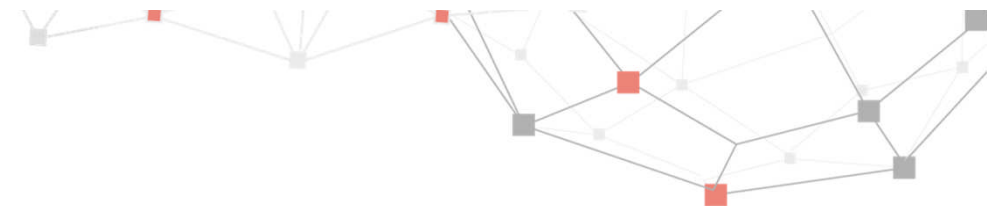
Key Global Audit Reporting Updates



- Key Audit Matters
- Critical Audit Matters
- ISA 720 The Auditor's Responsibilities Relating to Other Information
- IAASB Assists with Audit Considerations for the Impact of COVID-19
- ISA 540 (Revised) Auditing Accounting Estimates and Related Disclosures
- Fraud and Going Concern (DP)

Key Audit Matters

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period. Key audit matters are selected from matters communicated with those charged with governance.



Key Audit Matters

Classification

Simple Topic	# of KAMS	% of Total
Asset Impairment and Recoverability	2,234	24.2%
Revenue and Other Income	1,585	17.2%
Valuation of Investments (including Fair Value)	930	10.1%
Going Concern	599	6.5%
Income Taxes	414	4.5%
Inventory	395	4.3%
Business Combinations	339	3.7%
Subsidiary/Affiliate	293	3.2%
Contingent Liabilities (including Litigation & Restructuring)	288	3.1%
Policy Changes	224	2.4%

Key Audit Matters

Population Overview

Fiscal year	# Opinions	# KAMs	Average # of KAMs
2016	1,810	5,031	2.78
2017	3,463	8,806	2.54
2018	3,812	9,316	2.44
2019	3,673	9,231	2.51
2020*	290	838	2.89
Total	13,048	33,222	2.63

*partial year

Audit Analytics has done an analysis of the key audit matters (KAMs) published in 2019, highlighting the key trends they've seen. Source: <https://www.auditanalytics.com/>

Critical Audit Matters - US PCAOB Interim Analysis Report

This report provides insights and the perspectives of the Public Company Accounting Oversight Board (PCAOB) on the initial impact of critical audit matters (CAM) requirements on key stakeholders in the audit process

KEY FINDINGS FROM STAFF ANALYSES

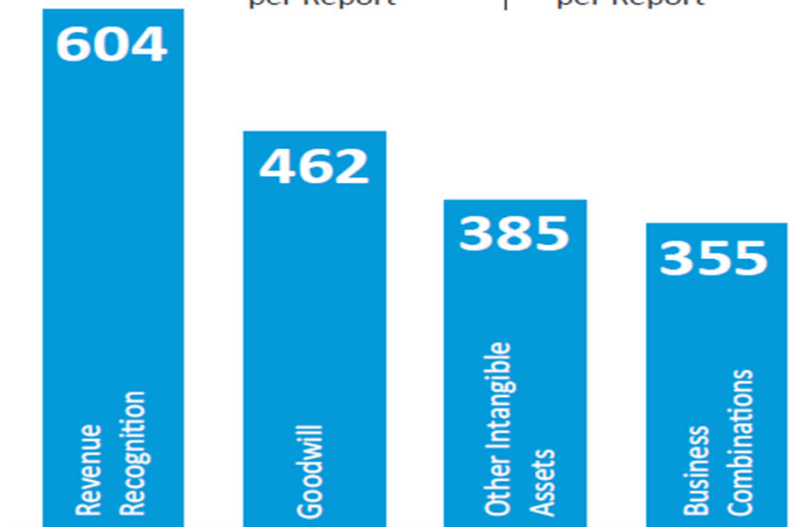
- Audit firms made significant investments to support initial implementation of the CAM requirements
- Investor awareness of CAMs communicated in the auditor's report is still developing, but some investors are reading CAMs and find the information beneficial



2,420 Reports Containing CAM Communications

1.7
Average Number of CAMs Communicated per Report

0 - 7
Range of Number of CAMs Communicated per Report



Most Frequently Communicated CAMs

Audit reports filed as of October 8, 2020, for issuers with fiscal year ends ranging between June 30, 2019 and June 29, 2020
Sources: SEC's EDGAR system and PCAOB Office of Economic and Risk Analysis



3

Review and Comments
From Global Regulators

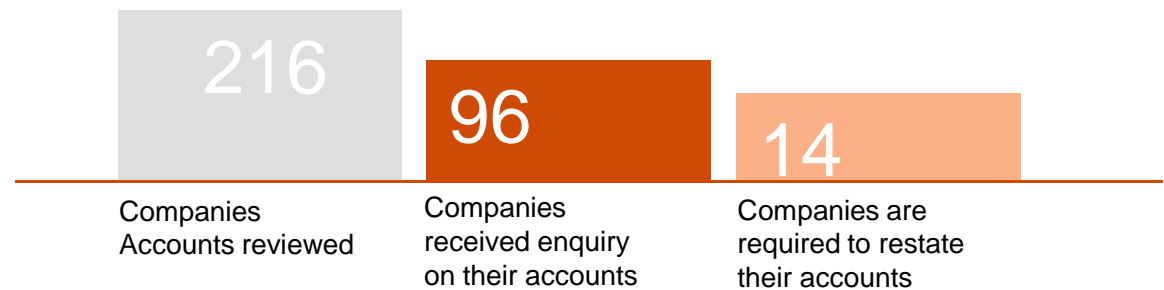
Financial Reporting Council (FRC)

On 20th October 2020, the FRC has published its Annual Review of Corporate Reporting, which reveals it's 'top 10' areas where improvements to reporting quality are needed so users of accounts have a clearer understanding of company performance and position

- 1 Judgements and Estimates
- 2 Impairment of Assets
- 3 Revenue from Contracts with Customers
- 4 Financial Instruments
- 5 Alternative Performance Measures (APMs)
- 6 Strategic Report
- 7 Statement of Cash Flows

- 8 Provisions and Contingencies
- 9 Fair Value Measurement
- 10 Business Combinations




In the last year, the FRC reviewed the companies accounts. Below it the outcome of their review



US SEC comment letter themes

	Current Period (10/1/2019 – 9/30/2020)*	Relative change in number of letters compared to the Prior Period*
1	Non-GAAP measures	↔
2	Revenue recognition	↓
3	Management's discussion and analysis	↑
4	Segment reporting	↑
5	Form compliance and exhibits	↔
6	Fair value measurement	↓
7	Disclosure controls and ICFR	↔
8	Goodwill and other intangibles	↔
9	Business combinations	↔
10	Debt, quasi-debt, warrants and equity	↔

*This analysis was performed based on topical areas assigned by research firm Audit Analytics for comment letters publicly issued in the 12 months ended September 30, 2020 ("Current Period") and the 12 months ended September 30, 2019 ("Prior Period") in relation to Form 10-K and Form 10-Q filings. Total comment letters evaluated during the Current Period and Prior Period were approximately 840 and 1,050, respectively. In addition, it is noted that the overall comment letter trends remained relatively consistent with the 12 months ended June 30, 2020

-  The relative number of comment letters has increased.
-  The relative number of comment letters has decreased.
-  The relative number of comment letters has not changed significantly.

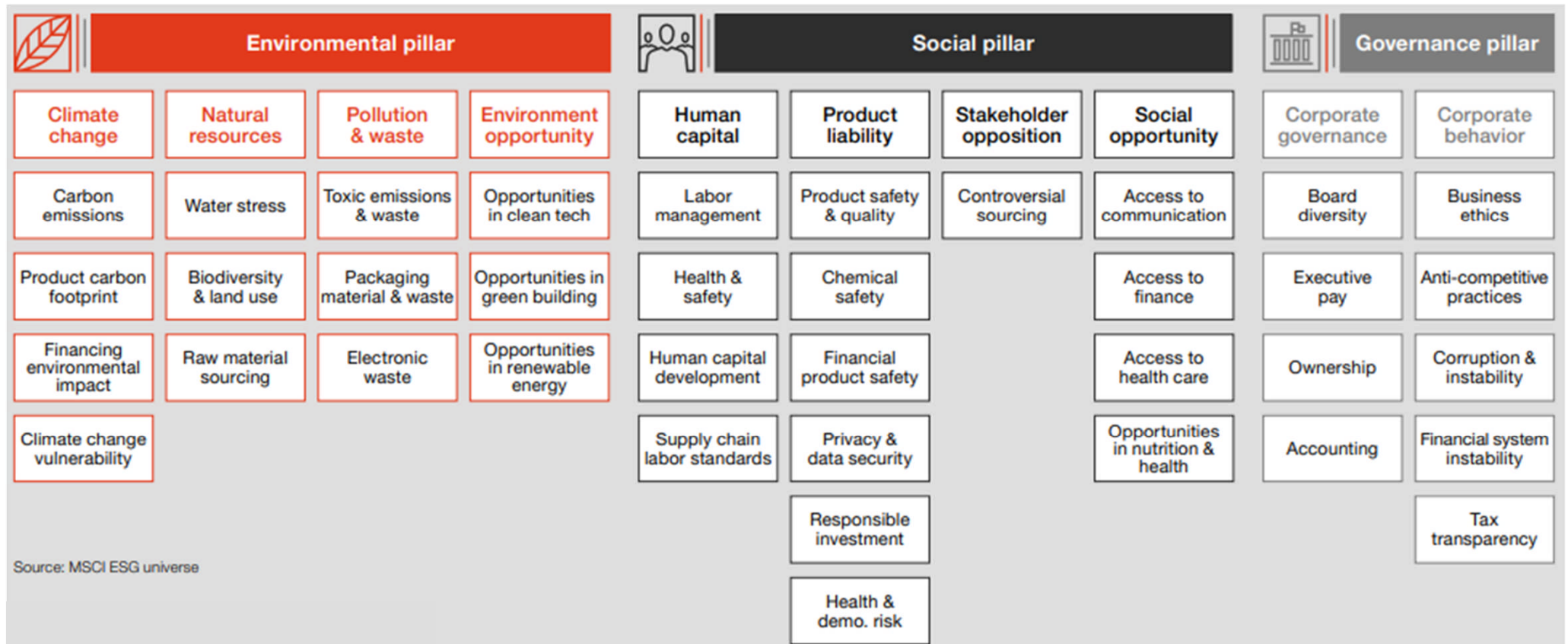


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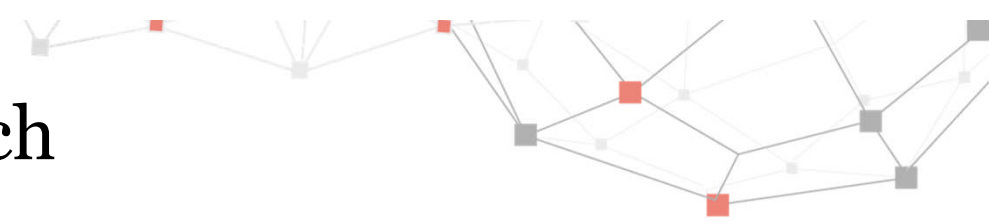
ESG Reporting

What is Environmental, Social and Governance Reporting (ESG)?

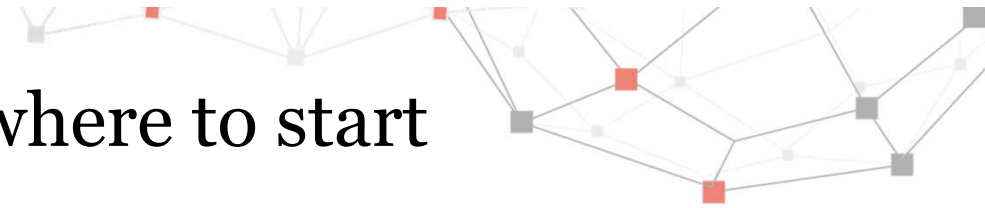
ESG is on the minds of many investors today. It can represent risks and opportunities that will impact a company's ability to create long-term value



Why ESG? A value creation approach



Understanding ESG reporting and where to start



Consistent & comparable

Investors are pushing for enhanced ESG disclosures, but standards are still forming

- Benchmark your reporting
- Investor engagement
- Managing competing frameworks
- Identify frameworks, principles and standards - focus on industry agnostic to start and then sector based material topics and reporting trends]



Control environment

Taking a close look at whether your disclosures are "investment grade"

- Disclosure Committee reviews
- Internal Audit engagement
- Accounting policies for KPIs
- Process documentation and controls design
- Technology investment



Risks – spotlight on climate

Climate risk is increasingly a focus across industries and across companies

- Cross-functional teams
- Prioritize climate risk dimensions
- Scenario analysis to quantify risks
- Working groups on insights and resilience plans



Deliver Growth

Integration of ESG to inform business strategy, considers long term implications and includes the value chain

- ESG risks & opportunities inform business strategy
- Extend ESG across the value chain
- Invest in capabilities across functional areas
- Formalized governance, high level Board and Leadership engagement

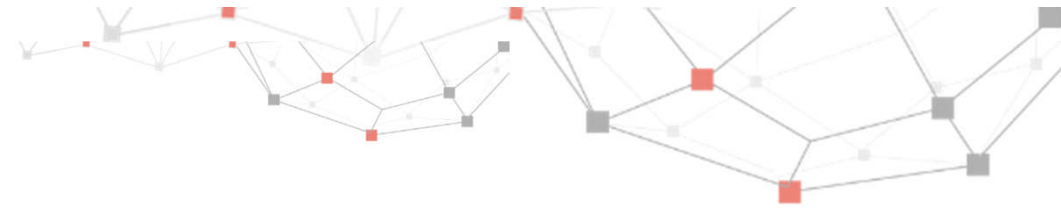




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Opportunities for CAs

Opportunities for CAs



Collaboration between Indian and other Global institutes

Convergence of Accounting Standards

Alignment of Auditing standards

Indian companies having global operations

Access to overseas markets

Global companies having operations in India

Opportunities on ECG reporting

Thank you